

# The Financial Times of Indiana

## News from the Office of Governor Frank O'Bannon

Friday, June 7, 2002  
[www.IN.gov/gov](http://www.IN.gov/gov)

### The News in brief...

#### A Win for Indiana

Governor Frank O'Bannon yesterday praised and publicly thanked 48 House Democrats and 3 House Republicans – legislative leaders all -- who voted "yes" on House Bill 1001ss – the bill that could resolve Indiana's budget problems, cut property taxes and rewrite business taxes to encourage job growth.

"This is a win for Indiana," the Governor said shortly after the bill was approved by the House of Representatives. The bill now advances to the Senate where additional amendment is possible.

"I want to thank the Democrats and the three Republicans who stepped up to vote for this bill," the Governor said. "(Moving the bill) was very important, and we need to continue moving it now through the Senate."

The bill is expected to be heard by the Senate Finance Committee next week.

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#### What Others are Saying

"Today's vote is less about the bill in its current form than about the need to move the process forward. A yes vote gives the Senate a chance to strengthen the legislation. A no vote stops not just this particular proposal but derails the entire special session. Indiana simply can't afford for its elected leaders to leave Indianapolis this month without restructuring taxes and bridging the budget gap."

Indianapolis Star, 6-6-02

**Many Hoosiers say they don't want higher taxes, but Chuck Drudge is pleased that lawmakers were able to take a step toward righting the state's troubled finances. Drudge, who was visiting the Statehouse with his wife and a foreign exchange student, is a production manager in Rochester. "I don't want to pay higher taxes," he said, "but I think we need them."**

Indianapolis Star, 6-7-02

"I could see the bill was going to die, and I didn't want that bill to die," said Rep. Mary Kay Budak, R-LaPorte, who switched her vote at the last minute, a move assuring the minimum 51 votes needed for passage. "Without that bill," she said, "we have nothing."

Times of Northwest Indiana, 6-7-02

### And Along Came the Recession...

- + \$1.5 billion for tax cuts
- + \$200 million for street improvements
- + \$160 million for university improvements
- + \$150 million for state facility improvements
- + \$290 million for teachers' pension needs

State  
Surplus  
Investments

#### Recession

- \$950 million in cuts

Cuts ordered by the Governor in Fall 2001 and Spring 2002

- 3 billion lost to the recession

Amount estimated by 2003

= **FISCAL CRISIS**

#### How is it, again, that Indiana has a fiscal crisis?

While most legislators agree that Indiana is facing a recession-driven fiscal crisis, some Hoosiers wonder how that is possible when on June 30, 1999, Indiana had a reserve balance of nearly \$2 billion. In 1999, economists predicted the economy would continue to grow.

Based on that prediction of continued growth, Governor O'Bannon, Auditor Connie Nass, and Democrat and Republican legislators agreed to spend part of the reserve, because Hoosiers deserved a return on what could be afforded to them in the form of a tax break.

But the recession hit, and hit particularly hard in Indiana, making revenues shrink instead of grow.

In response to the state's revenue collections – or paychecks – coming in lower than expected, Governor O'Bannon cut spending, dipped into savings and transferred balances from dedicated funds. All in all, he slashed \$950 million from the state's budget – a budget that already ranks 45<sup>th</sup> lowest in the nation for spending tax dollars on state services.

But the recession has continued to hammer Indiana in FY02, and even the dramatic budget actions the Governor has taken are not enough to overcome the effects of the recession. That's why he is urging lawmakers to approve legislation to correct the budget problems.

Indiana is not alone in this battle against the recession: over 40 other states are in similar shape. Not through wasteful spending but because of the combined effect of the tax cuts and investments made during good times and the effects of the recession.



#### Budget News From Around the Nation

- One third of all the states are considering raising cigarette taxes
- Wisconsin sold the rights to 30 yrs. of tobacco-settlement payments for \$1.2 B
- Iowa recently required several state departments, including Health and Human Services, to take an unpaid day off
- New Jersey is considering laying off 2,400 state workers
- South Carolina has been forced to cut the state's budget by 10%, over \$500 million

Christian Science Monitor, 5-29-02 and Associated Press, 5-28-02